

## Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 FEA-01 CEA-01 CIAE-00  
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FM AMEMBASSY OTTAWA  
TO SECSTATE WASHDC PRIORITY 2939

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E.O. 11652: N/A  
TAGS: ETRD, CA  
SUBJECT: U.S.-CANADIAN MEETING ON PARALLEL STUDIES OF  
THE AUTOMOTIVE INDUSTRY

1. SUMMARY: GOC OFFICIALS, AFTER CONSIDERING U.S. CONCERNS, ARE UNWILLING TO MAKE SIGNIFICANT CHANGES IN CANADIAN STUDY BEFORE SENDING IT TO MINISTERS FOR CONSIDERATION BUT WILL INFORM MINISTERS OF OUR CONCERNS. GOC WISHES TO MAINTAIN DIALOGUE WITH USG AND ITC MINISTER CHRETIEN WILL MAKE THIS POINT TO SECRETARY KREPS AND STR-DESIGNATE STRAUSS DURING WASHINGTON VISIT MARCH 29. U.S. DEL EMPHASIZED THAT ANY ATTEMPT TO INVOLVE USG IN EFFORTS TO INFLUENCE INDUSTRY'S SOURCING AND INVESTMENT DECISIONS WOULD CREATE VERY DIFFICULT PROBLEMS FOR US. END SUMMARY.

2. U.S. AND CANADIAN DELEGATIONS MET MARCH 25 IN OTTAWA TO DISCUSS U.S. CONCERNS WITH DRAFT CANADIAN STUDY ON AUTOMOTIVE PRODUCTS AND CONTINUATION OF A U.S.-CANADIAN DIALOGUE ON THE NORTH AMERICAN AUTOMOTIVE INDUSTRY.

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3. IN RESPONSE TO U.S. COMMENTARY ON DRAFT CANADIAN STUDY, CANDEL (LATIMER) NOTED THAT ALTHOUGH SOME CHANGES HAD BEEN MADE, THRUST OF STUDY REMAINED THE SAME. AS ANTICIPATED, CANDEL STATED IT WAS UNWILLING TO DELETE OR MODIFY TROUBLESOME CONCLUSIONS AND IMPLICATIONS OF STUDY ALONG LINES WE HAD SUGGESTED. FOLLOWING FURTHER DIS-

CUSSION OF OUR CONCERNS, HOWEVER, CANDEL AGREED TO INCLUDE AN INDICATION OF U.S. CONCERN WHEN SUBMITTING THE STUDY TO MINISTERS FOR THEIR CONSIDERATION.

4. U.S. DEL (BARRACLOUGH) STATED THAT PUBLIC RELEASE OF THE CANADIAN DRAFT WOULD NO DOUBT MEAN WE WOULD HAVE TO FOLLOW BY RELEASE OF U.S. STUDY WHICH WOULD PRECIPITATE QUESTIONS AS TO WHY THE STUDIES WERE SO DIVERGENT. THIS COULD FORCE US TO COMMENT PUBLICLY ON DIFFERENCES WE HAVE WITH SOME OF IMPLICATIONS AND CONCLUSIONS OF THE STUDY.

5. CANDEL INDICATED THAT THEIR STUDY WOULD NOT NECESSARILY BE PUBLISHED BUT WOULD BE PROVIDED TO INTERESTED PARTIES (MANUFACTURERS AND UNIONS) FOR COMMENT. IF THIS LED TO A QUESTION IN PARLIAMENT, GOC WOULD THEN HAVE TO RELEASE THE REPORT TO THE PUBLIC IN GENERAL BUT STILL ONLY AS A GOC TASK FORCE REPORT TO MINISTERS WHICH HAD NO OFFICIAL GOC ENDORSEMENT. GOC DEL PROMISED TO KEEP USG INFORMED OF DECISIONS IN THIS REGARD.

6. U.S. EXPRESSED READINESS TO INITIATE U.S.-CANADIAN DIALOGUE ON THE AUTOMOTIVE INDUSTRY AS SUGGESTED BY CANADA BUT WISHED TO ESTABLISH AT THE ONSET WHERE SUCH A DIALOGUE MIGHT LEAD. FOR INSTANCE, IF THE INTENT (AS WE SUSPECT) IS TO LEAD USG INTO IMPLICIT OR EXPLICIT EFFORTS TO INFLUENCE SOURCING AND INVESTMENT DECISIONS OF AUTO MANUFACTURERS, THIS WOULD CREATE VERY DIFFICULT LIMITED OFFICIAL USE

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PROBLEMS FOR THE USG. BOTH SIDES AGREED THAT IT WAS TOO SOON TO AGREE ON THE OBJECTIVES OF SUCH A DIALOGUE BUT CANDEL DESCRIBED ITS PURPOSE AS THE MANAGEMENT OF THE U.S.-CANADIAN RELATIONSHIP IN THE AUTOMOTIVE SECTOR.

7. CANDEL INDICATED THAT ITC MINISTER CHRETIEN WILL RAISE ISSUE OF NORTH AMERICAN AUTO INDUSTRY AND THE DIALOGUE IN HIS MEETINGS WITH COMMERCE SECRETARY KREPS AND STR-DESIGNATE STRAUSS ON TUESDAY, MARCH 29 IN THE SAME VEIN -- CANADA WISHED TO MAINTAIN DIALOGUE BUT AT THIS STAGE WILL LEAVE OBJECTIVES UNDEFINED. THEY EXPECT CHRETIEN WILL ALSO RESPOND TO PRESS INQUIRIES BY INDICATING DESIRABILITY OF CONTINUING DIALOGUE. LATIMER SAID CHRETIEN'S PRINCIPAL PREOCCUPATION AT MOMENT IS GENERAL PROBLEM OF EMPLOYMENT IN CANADA. HOWEVER, LATEST DATA ON AUTO INDUSTRY MAKE IT POSSIBLE TO BE LESS ALARMED AND HE HAS ADVISED CHRETIEN THAT WITH RESPECT TO AUTO INDUSTRY THERE IS NOT A "PANIC SITUATION" AND NO PRECIPITATE ACTION SHOULD BE TAKEN.

8. COMMENT: US DEL RECOMMENDED THAT IN DISCUSSIONS IN TUESDAY MEETINGS WITH CHRETIEN, SECRETARY KREPS AND STR-DESIGNATE STRAUSS INDICATE READINESS TO INITIATE A DIALOGUE NOTING, HOWEVER, THAT STAFFS WILL HAVE TO WORK OUT THE ELEMENTS OF A DIALOGUE AND ITS OBJECTIVES. INASMUCH AS WORKING LEVEL CANADIAN OFFICIALS APPEAR BASICALLY UNWILLING TO MODIFY ASPECTS OF GOC STUDY WHICH WE CONSIDER UNWARRANTED AND COUNTERPRODUCTIVE, IT WOULD ALSO BE USEFUL TO NOTE THAT U.S. HAD PROVIDED COMMENTS ON THE CANADIAN STUDY WHICH WE URGE BE TAKEN INTO ACCOUNT BEFORE ITS PUBLICATION. ENDERS

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## Message Attributes

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